

WATER/ABJ/TAC:jrb

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Advisory Branch**

**RESOLUTION NO. W-4290
August 23, 2001**

R E S O L U T I O N

**(RES. W-4290), WEST WATER COMPANY (WWC). ORDER
AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$3,706 or 67% IN 2001.**

SUMMARY

This resolution grants a general rate increase in gross annual revenues of \$3,706 or 67% for Test Year 2001. This increase will provide a 13.25% rate of return on a ratebase of \$13,567 in the test year.

BACKGROUND

WWC requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service to produce additional revenues of \$3,706 or 67% in 2001. WWC's request shows 2001 gross revenue of \$5,531 at present rates increasing to \$9,237 in 2001 at proposed rates to produce a rate of return on rate base of 13.25%.

WWC presently serves about 16 flat rate residential customers with 21 service connections in a small subdivision know as West's Tract located along the bank of the Russian River approximately one mile northeast of the City of Cloverdale, Sonoma County. The area is composed of average homes and circumstances. The present rates were established on December 6, 1999, pursuant to a Consumer Price Index (CPI) rate increase of \$79, or 1.6%. The last general rate increase became effective May 2, 1993, pursuant to Resolution W-3769, which authorized an increase in rates of \$2,645 or 116% over two years.

DISCUSSION

WWC is a class D water company which until 1997 was owned and operated by Mr. Clint E. Kemp. Mr. Kemp sold the utility and a residence in an unauthorized transfer to Tom W. and Lorrie Beth Johnson, the current owners and operators of WWC. Public Utilities Code Sections 851 and 854 require Commission authorization for the sale, transfer of control, or other disposition of property necessary to the operation of a public utility. However, Section 853 (b) of the Public Utilities Code allows the Commission to exempt a company from these requirements where its application is not necessarily in the public interest. Based on Section 853 (b), Decision 97-12-072 provided Tom W. and Lorrie Beth Johnson with a certificate of public convenience and necessity to operate WWC.

WWC received assistance through the Branch's outreach program in preparing its general rate increase request. Through this program the Branch offers its assistance to small water utilities that do not have staff experienced in regulatory matters. The Water Division's Water Advisory Branch (Branch) made an independent analysis of WWC's summary of earnings and issued its report in July of 2001. As shown in Appendix A, at existing rates WWC is unable to meet current expenses. In addition, for the last four years the owners have received no return on their \$13,600 investment. Appendix A shows WWC's and the Branch's estimates of the summary of earnings at present, requested and recommended rates.

WWC was informed of the Branch's views of expenses and ratebase and agrees with the Branch's findings.

The summary of earnings in Appendix A shows a rate of return of 13.25% at the Branch's recommended rates. This is the midpoint of the range of rate of return recommended by the Commission's Audit and Compliance Branch for Class D water utilities.

WWC files Annual Reports regularly and there are no other outstanding Commission orders.

The utility currently has two rate schedules, Schedule No. 1, General Metered Service, and Schedule No. 2R, Residential Flat Rate Service, which it proposes to increase. Although the utility currently does not have any metered customers, it

proposes to install $\frac{3}{4}$ inch meters on all of its connections over a period of about one year. The Branch concurs with this decision.

The Branch recommends increasing the existing flat rate schedule by the system average increase recommended in this resolution. The Branch modified the metered rate schedule to reflect the actual water use and to implement standard service size ratios. The rates proposed by the Branch are included herein in Appendix B.

At the Branch's recommended rates shown in Appendix B, the bill for a typical flat rate residential customer would increase from \$21.95 to \$36.65 per month. The typical bill for a $\frac{3}{4}$ -inch metered customer at average water use of 20.3 Ccf would increase from \$32.44 to \$36.65 per month. A comparison of customer bills at present and recommended rates is shown in Appendix C. The adopted quantities and tax calculations are shown in Appendix D.

NOTICE AND PUBLIC MEETING

A notice of the proposed general rate increase was mailed to each customer on May 3, 2001. The Branch received one letter protesting the increase. It complained of the magnitude of the rate increase. The Consumer Affairs Branch (CAB) reports that WWC has received no complaints since 1997.

A Public Meeting was held on May 31, 2001 in the home of the utility owners, Tom W. and Lorrie Beth Johnson at 7:00 PM. A Branch representative explained Commission rate setting procedures and the owners explained the reasons for the proposed increase. Four customers attended the meeting although proper notice had been made by WWC to all customers. All customers understood the reason for the rate increase. It was proposed at the meeting that meters would be installed to promote conservation. All customers agreed.

FINDINGS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates proposed by the Branch (Appendix B) are reasonable and should be adopted.

3. The quantities (Appendix D) used in preparation of this report are reasonable and should be adopted.
4. West Water Company, Inc. is authorized to file an advice letter rate increase request to recover reasonable costs associated with currently proposed meter installations after the project has been completed and put into service.
5. The rate increase proposed by the Branch is justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public utilities Code Section 454 for West Water Company to file an advice letter incorporating the summary of earnings and the revised schedules attached to this resolution as Appendices A and B respectively, and concurrently cancel its presently effective rate schedules: Schedule No. 1, General Metered Service, and Schedule No. 2R, Residential Flat Rate Service. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of its filing.
2. West Water Company is authorized to file an advice letter rate increase request to recover reasonable costs associated with currently proposed meter installations after the project has been completed and put into service.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on August 23, 2001; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President

HENRY M. DUQUE
RICHARD A. BILAS

Resolution W-4290
WWC/Outreach/ABJ/TAC:jrb*

August 23, 2001

CARL W. WOOD
GEOFFREY F. BROWN
Commissioners

APPENDIX A

WEST WATER COMPANY

SUMMARY OF EARNINGS

Test Year 2001

Item	Utility Estimated		Branch Estimated		Recommended Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Flat Rates	\$5,531	\$9,237	\$5,531	\$9,237	\$9,237
TOTAL	\$5,531	\$9,237	\$5,531	\$9,237	\$9,237
<u>Operating Expenses</u>					
Power	1,731	1,731	1,731	1,731	1,731
Contract Work	1,862	1,862	1,862	1,862	1,862
Water Testing	972	972	972	972	972
Transportation Exp.	180	180	180	180	180
Other Plant Maintenance	755	755	755	755	755
Management Salaries	300	300	300	300	300
Office Suppl. & Exp.	184	184	184	184	184
Professional Services	277	277	277	277	277
Insurance	170	170	170	170	170
Subtotal	\$6,431	\$6,431	\$6,431	\$6,431	\$6,431
Depreciation Expense	486	486	486	486	486
Property Taxes	0	0	0	0	0
Payroll Taxes	0	0	0	0	0
State Income Tax	0	205	0	205	205
Federal Income Tax	0	317	0	317	317
Total Deductions	\$6,916	\$7,439	\$6,916	\$7,439	\$7,439
<u>Net Revenue</u>	Loss	\$1,798	Loss	\$1,798	\$1,798
<u>Rate Base</u>					
Average Plant	14,572	14,572	14,572	14,572	14,572
Avr. Accum. Deprec.	1,457	1,457	1,457	1,457	1,457
Net Plant	13,115	13,115	13,115	13,115	13,115
Plus: Working Cash	495	452	495	452	452
<u>RATE BASE</u>	\$13,610	\$13,567	\$13,610	\$13,567	\$13,567
<u>Rate of Return</u>	Loss	13.25%	Loss	13.25%	13.25%

APPENDIX B

WEST WATER COMPANY

Schedule No.1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

West's Tract and vicinity, Preston, Sonoma County.

RATES

Per Meter
Per Month

Quantity Rate:

All Water used per 100 cu. ft.....	\$0.528	(I)
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Service Charge:

For	5/8 x 3/4-inch meter	\$25.93	(I)
For	3/4-inch meter	\$25.93	
For	1-inch meter	\$38.89	
For	1-1/2 inch meter	\$64.82	
For	2-inch meter	\$129.65	(I)

The Service charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX B

WEST WATER COMPANY

Schedule No.2R

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential service furnished on a flat rate basis.

TERRITORY

West's Tract and vicinity, Preston, Sonoma County.

RATES

Per Residential Unit
Per Month

For a single-family residential unit \$36.65 (I)

SPECIAL CONDITIONS

1. The above residential flat rate applies to service connections not larger than one-inch in diameter.
2. A meter shall be installed at the option of the utility, in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPENDIX C

WEST WATER COMPANY

COMPARISON OF RATES

A comparison of the present and Branch's recommended rates is shown below:

METERED SERVICE

Meter Size	Usage (Ccf)	<u>Per Meter Per Month</u>		Increase	
		<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Amount</u>	<u>Percent</u>
3/4-inch meter	10	\$25.85	\$31.21	\$5.36	17.18%
3/4-inch meter	15	\$29.05	\$33.85	\$4.80	14.18%
3/4-inch meter	20.3	\$32.44	\$36.65	\$4.21	11.48%
3/4-inch meter	25	\$35.45	\$39.13	\$3.68	9.41%

RESIDENTIAL FLAT RATE SERVICE

Monthly bill for a single-family residential flat rate customer:

<u>Present Rates</u>	<u>Recommended Rates</u>	<u>Increase Amount</u>	<u>Percent</u>
\$21.95	\$36.65	\$14.70	66.97%

APPENDIX D

WEST WATER COMPANY

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ADOPTED QUANTITIES

Test Year 2001

Expenses:

1. Purchased power (Electric)	
Vendor	Pacific Gas & Electric
Schedules	E1
Effective Date	1/1/2001
Total Cost (\$)	\$1,731
KWH Used	11,575
2. Purchased water	None
3. Payroll	
Management Salary	\$300
Office Salary	\$0
Total Payroll	\$300
4. Water Testing	\$972
5. Insurance Expenses	\$170
6. Number of Service Connections:	
Flat Rate	16
Metered	0
Average Ccf/customer/month used to design rates:	20.3 Ccf

APPENDIX D

WEST WATER COMPANY

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ADOPTED QUANTITIES

Test Year 2000

Line No.	Item	State Tax	Federal Tax
1.	Operating Revenue	\$9,237	\$9,237
2.	O & M Expenses	\$6,431	\$6,431
3.	Taxes Other Than Income	\$0	\$0
4.	Deprecation	\$486	\$486
5.	Taxable Income for State Tax	\$2,321	
6.	State Tax	\$205	
7.	Taxable Income for FIT		\$2,115
8.	Federal Income Tax		\$317
9.	Total Income Tax		\$522
California Rate		8.84%	
Federal Income Tax Rate			
	On first \$50,000 of taxable income	15%	